

NOVA MSC BERHAD (“NOVAMSC” OR THE “COMPANY”)

- I. PROPOSED ACQUISITION OF 19,375 ORDINARY SHARES IN CNA DEVELOPMENT PTE LTD (“CNAD”) (“CNAD SHARES”), REPRESENTING 31% OF THE ISSUED SHARE CAPITAL IN CNAD, FROM STONE VILLA LIMITED FOR A TOTAL AGGREGATE CONSIDERATION OF RM10.00 MILLION TO BE SATISFIED VIA THE ISSUANCE OF 45,454,545 NEW ORDINARY SHARES OF RM0.10 EACH IN NOVAMSC (“NOVAMSC SHARES”) AND RM5.00 MILLION IN CASH (“PROPOSED ACQUISITION”); AND
- II. PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF NOVAMSC AFTER THE PROPOSED ACQUISITION (“PROPOSED PRIVATE PLACEMENT”)

(COLLECTIVELY TO BE REFERRED TO AS THE “PROPOSALS”)

1. INTRODUCTION

On behalf of the Board of Directors of NOVAMSC (“**Board**”), RHB Investment Bank Berhad (“**RHBIB**”) wishes to announce that the Company proposes to undertake the following:

- (a) proposed acquisition of 19,375 CNAD Shares (“**Sale Shares**”), representing 31% of the issued share capital in CNAD, a company incorporated in Singapore, from Stone Villa Limited (“**Vendor**” or “**Stone Villa**”) for a total aggregate consideration of up to RM10.00 million (“**Purchase Consideration**”) to be satisfied vide the issuance of 45,454,545 new NOVAMSC Shares and RM5.00 million in cash, in the manner set out in **Section 2.3** of this Announcement; and
- (b) proposed private placement of up to 155,022,635 new NOVAMSC Shares, representing 20% of the enlarged issued and paid-up share capital of NOVAMSC (“**Placement Shares**”) after the Proposed Acquisition. The Company intends to place out the Placement Shares to third party investors to be identified later (“**Third Party Investors**”) and at an issue price to be determined by the Board and announced later.

Details of the Proposals are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED ACQUISITION

On 30 November 2015, NOVAMSC completed the subscription of 12,500 new CNAD Shares for a subscription price of SGD2.00 million (equivalent to approximately RM6.04 million based on the closing exchange rate of RM3.02:SGD1.00 as quoted on the website of Bank Negara Malaysia as at 30 November 2015), representing 20% of the enlarged issued share capital of CNAD, resulting in CNAD being a 20%-owned associated company of NOVAMSC.

Subsequent to the above, on 18 January 2016, the Company had entered into a conditional share sale agreement (“**SSA**”) with Stone Villa for the Proposed Acquisition, which would result in CNAD becoming a 51%-owned subsidiary company of NOVAMSC and NOVAMSC having control over CNAD.

2.1 Background information on CNAD

CNAD was incorporated in Singapore under the Companies Act (Chapter 50) on 24 February 2000. As at 14 January 2016, being the latest practicable date (“**LPD**”) for this Announcement, CNAD is principally involved in the provision, design and implementation of integrated control and automation systems and information technology (“**IT**”) solutions for buildings and facilities.

Deloitte & Touche LLP, the judicial manager of CNA Group Ltd (being the former holding company of CNAD) (“**CNA Group**”), had on 29 October 2015 announced to the Singapore Stock Exchange that CNA Group has, on 28 October 2015, entered into a sale and purchase agreement with Michael Ong Liang Huat, the Group President and Chief Executive Officer and an Executive Director of CNA Group prior to CNA Group being placed under judicial management, and CNAD for the divestment of CNA Group’s business in Singapore to CNAD (“**Singapore Business**”) (“**Divestment**”) effected via the transfer of CNAD’s entire issued share capital to Michael Ong Liang Huat.

The Divestment was completed on 18 November 2015. Subsequent to the Divestment, CNAD is no longer a subsidiary of CNA Group. The assignment, novation and transfer of related contracts, licences, intellectual property rights, goodwill, employees, equipment and other assets used for the Singapore Business to CNAD is currently in progress.

Upon the conclusion of the Divestment, Michael Ong Liang Huat approached the Vendor, which eventually invested in CNAD and became its major shareholder on 30 October 2015 vide an acquisition of 31,250 CNAD Shares from Michael Ong Liang Huat.

Further details of CNAD are set out in **Appendix I** of this Announcement.

2.2 Salient terms of the SSA

2.2.1 Conditions Precedents

2.2.1.1 The obligation of NOVAMSC to purchase the Sale Shares is conditional on the following conditions precedent having been fulfilled (or otherwise waived by NOVAMSC) by ninety (90) days following the execution of the SSA (or such later date as may be agreed in writing by NOVAMSC and the Vendor (each a “**Party**” and collectively, the “**Parties**”)) (“**Cut-off Date**”):

- (i) the delivery to NOVAMSC, a certified true copy of:
 - (a) shareholders’ resolution of the Vendor approving the sale of the Sale Shares to NOVAMSC pursuant to the terms of the SSA;
 - (b) directors’ resolution of CNAD approving the transfer of the Sale Shares to NOVAMSC, the registration of the Sale Shares in the name of NOVAMSC and the entry of the name of NOVAMSC in the register of members of CNAD, if relevant;
- (ii) the delivery to NOVAMSC:
 - (a) waiver of the pre-emption rights from other shareholder in writing in accordance with the articles of association of CNAD;
 - (b) the consent of any other relevant authority(ies) and/or third party(ies), if required;

- (iii) the approval of the shareholders of NOVAMSC having been obtained at an extraordinary general meeting; and
- (iv) the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") being obtained for the listing of and quotation for the Consideration Shares (as defined in Section 2.3 of this Announcement).

2.2.1.2 NOVAMSC shall be responsible for procuring the fulfilment of the conditions precedent stipulated in **Sections 2.2.1.1(iii)** and **(iv)** above. The Vendor shall be responsible for procuring the fulfilment of the conditions precedent stipulated in **Sections 2.2.1.1(i)** and **(ii)** above.

2.2.1.3 If at any time prior to completion, the Parties become aware of any fact or circumstance which might prevent any of the conditions precedent in **Section 2.2.1.1** above from being satisfied, it shall immediately notify the other Party.

2.2.1.4 If any of the conditions precedent stipulated in **Section 2.2.1.1** above are not satisfied or otherwise waived by NOVAMSC on or before the Cut-off Date, the SSA will lapse and cease to have any further force or effect and none of the Parties will have any further rights or claims whatsoever against the other except for any antecedent breaches.

2.2.2 Completion

Completion shall take place on the completion date, being seven (7) business days from the Cut-off Date ("**Completion Date**"), at the registered office of CNAD or such other place as the Parties may mutually agree.

NOVAMSC shall pay the Purchase Consideration to the Vendor in the manner as provided in **Sections 2.3** and **2.4** below.

2.2.3 Indemnity

The Vendor further undertakes with NOVAMSC that it will hold NOVAMSC fully and effectively indemnified against any losses, liabilities, costs (including legal costs on a solicitor and client basis), claims, charges, prosecutions, expenses, actions or demands which NOVAMSC may incur or which may be made, claimed or instituted against it as a result of or in relation to the following:

- (i) any misrepresentation or alleged misrepresentation by the Vendor and/or CNAD, as the case may be; or
- (ii) any breach or alleged breach on its part of such agreements, covenants and undertakings and warranties and representations; or
- (iii) any failure by the Vendor and/or CNAD to perform its obligations under the SSA.

2.2.4 Warranties and undertakings by the Vendor

- 2.2.4.1 The Vendor warrants and undertakes to and with NOVAMSC that the warranties as set out in the SSA in relation to CNAD is true and accurate and nothing has been omitted which renders any such information misleading or incomplete.
- 2.2.4.2 The warranties shall be separate and independent and shall not be limited by anything in the SSA. The warranties shall be deemed to be repeated as at completion by reference to the circumstances then existing and shall continue to have full force and effect notwithstanding the completion of the SSA.
- 2.2.4.3 The Vendor acknowledges that NOVAMSC has entered into the SSA in full reliance upon and on the basis of each of the warranties which has been given as representations and inducement for NOVAMSC to enter into the SSA and NOVAMSC may rely on the warranties in warranting to any subsequent buyer of all or any of the Sale Shares or of all or any part of the undertaking of CNAD.
- 2.2.4.4 If prior to completion, any event shall occur which results or may result in any of the warranties being untrue, inaccurate or misleading at completion, the Vendor upon becoming aware of the same, shall immediately notify NOVAMSC in writing thereof prior to completion of the SSA and the Vendor shall make all such investigations and/or do all such acts concerning the event or matter which NOVAMSC may require.

2.2.5 Default by the Vendor

2.2.5.1 In the event the Vendor and/or CNAD:-

- (i) shall be unable to pay their/its debts;
- (ii) has a bankruptcy or winding up petition issued against them/it or is wound up;
- (iii) is in breach any of their material obligations under the terms of the SSA;
- (iv) CNAD ceases or threatens to cease carrying on its existing business; or
- (v) fails to complete the sale of the Sale Shares or any part thereof,

NOVAMSC may give fourteen (14) business days' written notice to the Vendor to remedy the same. If the Vendor fails to remedy the default or breach at the expiry of the said fourteen (14) business days' notice, NOVAMSC may at its discretion elect to:-

- (i) terminate the SSA and the purchase of all the Sale Shares and NOVAMSC shall be at liberty to claim for damages and costs incurred including professional and advisor fees; or
- (ii) seek specific performance of the provisions of the SSA and damages.

2.2.6 Default by NOVAMSC

2.2.6.1 In the event NOVAMSC fails to complete the purchase of the Sale Shares or has a winding up petition brought against it or a receiver and manager appointed over its assets and/or property, the Vendor may give twenty (20) business days' written notice to NOVAMSC to remedy the same. If NOVAMSC fails to remedy the breach at the expiry of the said twenty (20) business days' notice, the Vendor may elect to:-

- (i) terminate the SSA and the sale of all the Sale Shares and the Vendor shall be at liberty to claim for damages and costs incurred including professional and advisor fees; or
- (ii) seek specific performance of the provisions of the SSA and damages.

2.3 Mode of settlement

The Purchase Consideration will be satisfied in the following manner:

Date	Consideration	Amount RM
Upon completion	Issuance of 45,454,545 new NOVAMSC Shares at an issue price of RM0.1100 ("Issue Price") to the Vendor ("Consideration Shares")	5,000,000
Within 90 days subsequent to the issuance of the audited accounts for the FYE* 31 March 2017	To be paid in cash	Such amounts calculated in accordance with the formula set out in Section 2.4 below but up to a maximum of RM5,000,000
Within 90 days subsequent to the issuance of the audited accounts for the FYE* 31 March 2018	To be paid in cash	
Total		Up to 10,000,000

The cash portion of the Purchase Consideration to be paid to the Vendor shall be satisfied vide the funds raised from the Proposed Private Placement.

Further details of the Performance Targets and the mechanism for the Deferred Cash Payments are set out in Section 2.4 below.

Note:

* FYE means financial year ended/ending, whichever is applicable.

2.4 Deferred Cash Payments

With regards to the portion of the Purchase Consideration to be paid in cash, the Vendor shall be paid such amounts as calculated in the manner as set out in Sections 2.4(c) and (d) below, subject to the following:

- (a) CNAD having a performance target of PAT of SGD1.2 million for the FYE 31 March 2017 ("FYE 2017 Performance Target"), whereby the payment of Deferred Cash Payment 1 (as defined in Section 2.4(c) below) to the Vendor shall be based on the formula as set out in Section 2.4(c) below; and

- (b) CNAD having a performance target of PAT of SGD2.3 million for the FYE 31 March 2018 (“**FYE 2018 Performance Target**”), whereby the payment of Deferred Cash Payment 2 (as defined in **Section 2.4(d)** below) to the Vendor shall be based on the formula as set out in **Section 2.4(d)** below.

(Deferred Cash Payment 1 and Deferred Cash Payment 2, are collectively referred to hereon as “**Deferred Cash Payments**”)

The Deferred Cash Payments shall be paid within 90 days from the date of the issuance of the audited accounts for each of the FYE 31 March 2017 and 31 March 2018, and calculated based on the formula set out below:

- (c) Deferred Cash Payment 1

$$= \frac{\text{Audited PAT of CNAD for FYE 31 March 2017}}{\text{FYE 2017 Performance Target}} \times \text{RM2,500,000}$$

Whereby

- (i) Audited PAT for FYE 31 March 2017 must be at least fifty percent (50%) of FYE 2017 Performance Target (“**Minimum Threshold**”). If the Company is unable to achieve the Minimum Threshold, no Deferred Cash Payment 1 shall be paid.
- (ii) Deferred Cash Payment 1 shall be subject to a maximum cap of RM2,500,000.

- (d) Deferred Cash Payment 2

$$= \left(\frac{(\text{Audited PAT of CNAD for FYE 31 March 2017} + \text{Audited PAT of CNAD for FYE 31 March 2018})}{(\text{FYE 2017 Performance Target} + \text{FYE 2018 Performance Target})} \times \text{RM5,000,000} \right) - \text{Deferred Cash Payment 1}$$

For avoidance of doubt, the cumulative cash payments for Deferred Cash Payment 1 and Deferred Cash Payment 2 shall be subject to a maximum cap of RM5,000,000. For avoidance of doubt, in the event the calculation of the Deferred Cash Payments based on the formula above shall result in a negative figure, the Parties agree that no Deferred Cash Payment in that particular financial year shall be payable to the Vendor.

2.5 Basis and justification in arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a “willing-buyer willing-seller” basis, based on the price-to-earnings multiple (“**PE Multiple**”) of approximately six (6) times the average of FYE 2017 Performance Target and FYE 2018 Performance Target of approximately SGD1.75 million (equivalent to RM5.34 million based on the middle rate as at 5.00 p.m. on 14 January 2016 as quoted on the website of Bank Negara Malaysia (“**Current Exchange Rate**”) of RM3.05:SGD1.00) after taking into account the following:

- (a) the subscription price of SGD2.00 million (equivalent to approximately RM6.04 million based on the closing exchange rate of MYR3.02:SGD1.00 as quoted on the website of Bank Negara Malaysia as at 30 November 2015) for the subscription by NOVAMSC of 20% of the enlarged issued share capital of CNAD which was completed on 30 November 2015;
- (b) the future prospects of CNAD as set out in **Section 5.3** of this Announcement;

- (c) the implied range of valuation ranging from RM15.21 million to RM65.18 million for CNAD based on the range of PE Multiples of the Comparable Companies (as defined hereunder) multiplied by 31% of the average of the FYE 2017 Performance Target and FYE 2018 Performance Target (being the share of profit attributable to the Sale Shares) of approximately SGD0.543 million (equivalent of approximately RM1.66 million based on the Current Exchange Rate).

For the purpose of assessing the fairness of the Purchase Consideration, the management of NOVAMSC had made reference to the PE Multiple of public companies listed on the Singapore Stock Exchange, Stock Exchange of Hong Kong and Bursa Securities which are involved in businesses broadly comparable to the Singapore Business (“**Comparable Companies**”), details of which are set out in the section below.

It should be noted that the Comparable Companies used have been selected on a best effort basis and may not be directly comparable to CNAD in terms of, *inter-alia*, composition of business activities, scale of business operations, risk profile, asset base, accounting and tax policies, track record, future prospects, competitive environment and financial position, and such business as may have fundamentally different profitability objectives. It should also be noted that any comparison made with respect to the Comparable Companies is merely to provide an indicative valuation on the business of CNAD.

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The valuation statistics of the Comparable Companies using PE Multiples are set out below:

Name	Principal activities ⁽¹⁾	Country	Market capitalisation ⁽²⁾ RM	Closing price ⁽³⁾ RM	Earnings per share ("EPS") ⁽⁴⁾ RM	PE Multiple times
Acesian Partners Ltd	Acesian Partner Ltd provides environmental solutions and integrated services to diverse industries including semiconductor, wastewater treatment, chemical, pharmaceutical and biotechnological industries. The company is also a leading building services and engineering solutions provider which specialises in the design, installation, testing and commissioning of Air-Conditioning and Mechanical Ventilation (ACMV) and Electrical Systems.	Singapore	287,222,916	0.82	Neg.	NA
AWC Berhad	AWC Berhad is an investment holding company specialising in providing integrated facilities management services for buildings and facilities, and provision of design, supply, installation, testing and commissioning of automated pneumatic waste collection system. The company is a distributor of building controls and provides engineering components for heating, ventilation & air conditioning systems. AWC Berhad is also involved in the provision of building management systems.	Malaysia	107,479,237	0.47	0.04	13.30
Metronic Global Berhad	Metronic Global Berhad, through its subsidiaries, specializes in intelligent building management systems and intelligent security management systems which encompass hardware and software required for the control and management of an intelligent building with components including heating, ventilation and air conditioning, lighting, fire and security equipment.	Malaysia	48,887,825	0.07	Neg.	39.39
Technovator International Limited	Technovator International Limited is principally engaged in the design, manufacturing and distribution of integrated building automation, energy management systems and industrial energy-saving systems. In addition, the Group provides products and solutions for control security system and fire alarm systems.	Hong Kong	993,162,147	1.54	0.17	9.19
High						39.39
Low						9.19
Average						20.63
Proposed Acquisition						6.04⁽⁵⁾

(Source: Bloomberg and latest audited financial statements of the Comparable Companies)

Notes:

Neg. Negligible.

- (1) Extracted from Bloomberg.
- (2) Based on the last transacted share price as at the LPD as well as the Current Exchange Rate and the closing exchange rate of RM1.00:HKD0.5647 as quoted in the website of Bank Negara Malaysia as at the LPD ("**HKD Exchange Rate**").
- (3) The last transacted share price of the Comparable Companies as at the LPD after adjusting for the market return of Singapore is presented below:

Name of Company	Last Transacted Share Price as at the LPD (i)	Expected market return of respective countries (ii)	Expected market return of Singapore[^] (iii)	Adjusted Value (iv)=(i)/(ii)*(iii)	Adjusted Value[#]
Acesian Partners Ltd	SGD0.27	9.668% [^]	9.668%	SGD0.27	MYR0.82
AWC Berhad	MYR0.44	9.044% ^{^^}	9.668%	MYR0.47	MYR0.47
Metronic Global Berhad	MYR0.07	9.044% ^{^^}	9.668%	MYR0.07	MYR0.07
Technovator International Limited	HKD4.00	14.177% ^{^^^}	9.668%	HKD2.73	MYR1.54

[^] Extracted from Bloomberg. The expected market return is calculated by taking the simple average of the internal rate of return over all the members of the Straits Times Index, the major benchmark index of the Singapore Stock Exchange.

^{^^} Extracted from Bloomberg. The expected market return is calculated by taking the simple average of the internal rate of return over all the members of the FTSE Bursa Malaysia Top 100 Index, the major benchmark index of Bursa Malaysia

^{^^^} Extracted from Bloomberg. The expected market return is calculated by taking the simple average of the internal rate of return over all the members of the Hang Seng Index, the major benchmark Index of the Stock Exchange of Hong Kong.

[#] Converted SGD into MYR based on the Current Exchange Rate and HKD into MYR based on the HKD Exchange Rate.

- (4) Based on the audited financial statements of the following FYE (being the latest audited financial statements as at the LPD):

Name of Company	FYE
Acesian Partners Ltd	31 December 2014
AWC Berhad	30 June 2015
Metronic Global Berhad	31 December 2014
Technovator International Limited	31 December 2014

(5) *The PE Multiple of the Proposed Acquisition of 6.04 times is calculated based on the Purchase Consideration over 31% of the average of the FYE 2017 Performance Target and FYE 2018 Performance Target (being the share of profit attributable to the Sale Shares) of approximately SGD0.543 million (equivalent of approximately RM1.66 million based on the Current Exchange Rate).*

The PE Multiple as implied by the Purchase Consideration of 6.04 times is below the range of the PE Multiple of the Comparable Companies of 9.19 times to 39.39 times, the Purchase Consideration appears attractive and is deemed favourable to NOVAMSC.

The Board has also taken into cognisance of the expert's report by BDO Capital Consultants Sdn Bhd ("**BDO**") on the fairness of the Purchase Consideration for the Proposed Acquisition dated 18 January 2016, whereby the indicative value of 100% equity interest in CNAD ranges from SGD11.18 million to SGD12.31 million (equivalent to approximately RM33.73 million to RM37.14 million based on the exchange rate of RM3.0167:SGD1.00 as at 30 November 2015, being the date of evaluation by BDO). For avoidance of doubt, the implied valuation for 31% equity interest in CNAD ranges from SGD3.47 million to SGD3.82 million (equivalent to approximately RM10.46 million to RM11.51 million based on the exchange rate of RM3.0167:SGD1.00 as at 30 November 2015, being the date of evaluation by BDO).

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2.6 Basis and justification of arriving at the Issue Price

The Issue Price of the Consideration Shares was arrived at based on the five (5)-day volume weighted average price (“VWAP”) of NOVAMSC Shares up to and including 15 January 2016, being the date prior to this Announcement, after considering, amongst others, the following:

- (a) the monthly highest and lowest closing market prices of NOVAMSC Shares and, the historical trading volume of NOVAMSC Shares up to and including December 2015 as set out below:

	High RM	Low RM	Volume traded No. of NOVAMSC Shares ('000)
2015			
January	0.170	0.120	309,232
February	0.160	0.140	90,948
March	0.185	0.145	580,081
April	0.250	0.170	941,490
May	0.215	0.155	352,771
June	0.175	0.140	222,958
July	0.155	0.135	116,413
August	0.150	0.095	104,516
September	0.130	0.095	105,081
October	0.155	0.115	157,038
November	0.140	0.120	102,290
December	0.125	0.115	30,430
Simple average	-	-	259,437 ⁽¹⁾

(Source: Bloomberg Finance LP)

Note:

- (1) The simple average monthly trading volume is computed by dividing the total monthly volume traded by twelve (12) months.

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- (b) the comparison of the Issue Price against the historical 5-days, 1-month, 3-month and 6-month volume weighted average price (“VWAP”) of NOVAMSC Shares up to and including 15 January 2016, being the date prior to this Announcement, are as follows:

	Issue Price RM	VWAP RM	Discount of the Issue Price from the VWAP %
5-days VWAP of NOVAMSC Shares up to and including 15 January 2016	0.1100	0.1100	-
1-month VWAP of NOVAMSC Shares up to and including 15 January 2016	0.1100	0.1153	4.82%
3-month VWAP of NOVAMSC Shares up to and including 15 January 2016	0.1100	0.1281	16.45%
6-month VWAP of NOVAMSC Shares up to and including 15 January 2016	0.1100	0.1256	14.18%

2.7 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing NOVAMSC Shares, save and except that the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the Consideration Shares.

2.8 Listing of and quotation for the Consideration Shares

An application will be made to Bursa Securities for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the ACE Market of Bursa Securities.

2.9 Liabilities to be assumed by NOVAMSC

Save for the obligations and liabilities arising in and arising from, pursuant to or in connection with the SSA, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by NOVAMSC arising from the Proposed Acquisition.

2.10 Additional financial commitment required

As at the date of this Announcement, save for the Purchase Consideration and the additional funds for working capital to be injected into CNAD as disclosed in **Section 3.6** of this Announcement, there is no other additional financial commitments required by NOVAMSC to put the business of CNAD on-stream.

3. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

3.1 Size of the Proposed Private Placement

The Proposed Private Placement will entail the issuance of up to 155,022,635 NOVAMSC Shares, representing 20% of the enlarged issued and paid-up share capital of NOVAMSC after the Proposed Acquisition and is computed based on the following:

- (a) the proforma issued and paid-up share capital of NOVAMSC, upon the completion of the Proposed Acquisition, which will increase to RM59,624,091 comprising 596,240,905 NOVAMSC Shares; and
- (b) assuming all the maximum number of options available pursuant to the employee share option scheme (“ESOS”) of NOVAMSC amounting to 178,872,272 ESOS options are granted to the directors and employees of NOVAMSC and are exercised prior to the implementation of the Proposed Private Placement.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will be determined at a later date. Subject to prevailing market conditions, the Proposed Private Placement may be implemented in one (1) or more tranches within six (6) months after the receipt of all relevant approvals for the Proposed Private Placement or any extended period as may be approved by Bursa Securities, depending on the timing of identification of the placee(s) and investors’ interest at the point of implementation.

3.2 Basis of determining and justification for the issue price of the Placement Shares

The issue price of the Placement Shares shall be determined and announced by the Board at a later date after the receipt of all requisite approvals for the Proposed Private Placement, at a price that is deemed appropriate after taking into consideration the prevailing market conditions and the five (5)-day VWAP of NOVAMSC Shares immediately preceding the price-fixing date. The discount for the issue price of the Placement Shares shall not be more than ten percent (10%) to the five (5)-day VWAP of NOVAMSC Shares immediately preceding the price-fixing date. In any event, the issue price of the Placement Shares shall not be lower than the par value of NOVAMSC Shares of RM0.10 each.

For illustrative purposes only, the indicative issue price of the Placement Shares is assumed at RM0.10 per Placement Share, which represents a discount of approximately 9.09% to the five (5)-day VWAP of NOVAMSC Shares of RM0.1100 up to and including the LPD.

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3.3 Allocation to placees

The indicative allocations of the Placement Shares to the proposed placees are based on the following scenarios:

Minimum Scenario: Assuming none of the options available pursuant to the ESOS are granted to the directors and employees of NOVAMSC and exercised prior to the implementation of the Proposed Private Placement.

Maximum Scenario: Assuming the maximum number of ESOS options available pursuant to the ESOS amounting to 178,872,272 ESOS option are granted to the directors and employees of NOVAMSC and exercised prior to the implementation of the Proposed Private Placement.

Proposed placees	Minimum Scenario	Maximum Scenario
	Amount of Placement Shares allocated	Amount of Placement Shares allocated
Third Party Investors ⁽¹⁾	119,248,181	155,022,635

Note:

(1) Such investors shall be persons qualified under Schedule 6 and 7 of the Capital Markets and Services Act 2007. The Placement Shares will not be placed out to the following parties:

- (i) the interested director(s), interested major shareholder(s), interested chief executive or interested person(s) connected with a director, major shareholder or chief executive; and
- (ii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

RHBIB will be appointed as the placement agent for the Proposed Private Placement after the receipt of all requisite approvals for the Proposed Private Placement.

3.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing NOVAMSC Shares, save and except that the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the Placement Shares.

3.5 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities.

3.6 Utilisation of proceeds

The Company is unable to determine the actual amount of proceeds to be raised from the Proposed Private Placement at this juncture as the amount to be raised will depend on the actual issue price of the Placement Shares and the actual number of Placement Shares to be issued.

For illustrative purposes, based on an indicative issue price of RM0.10 per Placement Share and the issuance of up to 155,022,635 Placement Shares, the Proposed Private Placement is expected to raise gross proceeds of up to RM15,502,264.

The proceeds raised are expected to be utilised in the manner set out below:

Details of utilisation	Estimated timeframe for utilisation of proceeds	Minimum Scenario	Maximum Scenario
		RM	RM
Funding for the Purchase Consideration ⁽¹⁾	Within twenty four (24) months from the completion of the Proposed Acquisition	5,000,000	5,000,000
Working capital ⁽²⁾	Within twelve (12) months from the date of completion of the Proposed Private Placement	6,224,818	9,802,264
Estimated expenses ⁽³⁾	Within one (1) month from the date of completion of the Proposed Private Placement	700,000	700,000
Total		11,924,818	15,502,264

Notes:

(1) Pursuant to the terms of the SSA, NOVAMSC shall satisfy up to RM5.0 million of the Purchase Consideration vide cash, which is intended to be funded from funds raised from the Proposed Private Placement.

(2) The proceeds will be utilised to finance CNAD's day-to-day working capital requirements which include, inter-alia, the following:

(a) Financing the new and existing projects of CNAD, which would include the purchase of hardware and software necessary to implement the projects; and

(b) Employing more technical staff as well as marketing staff to expand the business within Singapore and in the Asia Pacific region such as Malaysia, Brunei, Laos and China. These staff will also assist in the integration of the products and services offered by CNAD with that of NOVAMSC.

The amount is expected to be utilised within twelve (12) months from the date of completion of the Proposed Private Placement.

The amount allocated for working capital will depend on the actual proceeds to be raised from the Proposed Private Placement which is dependent on the issue price of the Placement Shares and the actual number of Placement Shares to be issued.

(3) The estimated expenses consist of stamp duties, professional fees, fees payable to authorities, placement management fee and placement commission and other miscellaneous expenses to be incurred in relation to the Proposals. Any variation in the actual expenses will be adjusted to/from the amount allocated for working capital portion.

Pending utilisation of proceeds from the Proposed Private Placement, the proceeds will be placed with financial institutions or short term money market instruments.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Acquisition

CNAD is principally involved in the provision, design and implementation of integrated control and automation systems and IT solutions for buildings and facilities to customers in various industries in Singapore including, amongst others, healthcare, aviation and transportation as well as services to commercial complexes. CNAD is able to integrate a wide choice of different building control disciplines such as heating, ventilation, air conditioning, lights and blinds and others to improve occupant comfort and enable efficient cost operation of building systems that may reduce energy consumption and operating cost.

In the process of subscribing for the 20% equity interest in CNAD, the management of NOVAMSC had perform due diligence on CNAD and had realized that there are further synergistic benefits to be gained from having a controlling interest in CNAD. Subsequently, the management of NOVAMSC had approached the Vendor to acquire an additional 31% equity interest in CNAD, to allow for NOVAMSC to have control over the strategic directions of CNAD and to safeguard the interest of NOVAMSC whilst enabling the enlarged NOVAMSC Group to achieve revenue and cost synergies.

The synergistic benefits envisaged would include, amongst others, the ability for NOVAMSC Group (which provides hospital information systems, e-government solutions, and building information modeling service) together with CNAD (which offers integrated building automation and control systems) to become a one-stop solution provider for the implementation of smart hospital and smart building which would allow NOVAMSC Group to enhance its revenue stream.

As set out in **Section 2.3** of this Announcement, the Board has determined that the Purchase Consideration is to be partially satisfied via the issuance of Consideration Shares, which will enable NOVAMSC to conserve cash amounting to RM5.00 million, which may be used to finance the day-to-day operations of NOVAMSC Group.

4.2 Proposed Private Placement

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most ideal avenue to fulfil the immediate and future funding requirements of NOVAMSC Group. The Proposed Private Placement will enable the Company to raise additional funds without incurring interest costs, as compared to bank borrowings, and to raise additional funds for the working capital of NOVAMSC Group (details of which are set out in **Section 3.6** of this Announcement).

With a larger capital base, NOVAMSC Group will be able to capitalise on future business opportunities. In addition, equity financing will strengthen the capital base to a level to commensurate with the value of its assets employed and reduce the financial risk of NOVAMSC Group as compared to taking on additional borrowings.

Further, the implementation of the Proposed Private Placement will enable NOVAMSC Group to strengthen its financial position with enhanced shareholders' funds and reduced gearing level. These factors are expected to facilitate the continuing growth of NOVAMSC Group.

5. OUTLOOK AND PROSPECTS OF THE PROPOSED ACQUISITION

5.1 Overview and prospects of the Singapore economy

Singapore's GDP rose by 1.9% quarter-on-quarter seasonally-adjusted annualised rate ("q-o-q saar") in the third (3rd) quarter 3 2015, following a 2.6% decline in the previous quarter. The growth partly reflected a pickup in oil-related trade, as declining oil prices spurred an increase in oil trading, transport & storage activities. The manufacturing sector however continued to languish on the back of persistent weakness in the electronics and marine & offshore engineering clusters.

The economic momentum in the Singapore economy is expected to remain modest, and for the year as a whole, GDP growth is projected at close to 2% for 2015 and 1–3% for 2016. A gradual improvement in the advanced economies should provide some support to pockets of trade-related industries, and partially offset the subdued regional demand. Meanwhile, local-oriented sectors will remain generally resilient despite ongoing supply-side constraints as firms continue to take steps to boost productivity.

The Singapore economy is envisaged to have a modest recovery for 2016 on the back of a pick up in the domestic demand. The current recession is not expected to last, with underlying demand conditions poised to improve. Although still relatively restrained, real wage growth turned positive in year on year terms in the third (3rd) quarter, reflecting the tight labour market. A sustained rise in real wages would lend greater momentum to household consumption in the next few quarters. Moreover, firms' capital expenditure is expected to pick up gradually, supported by healthy corporate profits and diminishing spare production capacity. On the downside, the stock of inventories of Monetary Authority of Singapore 4 Economic Policy Group remains elevated and this may continue to be a drag on industrial production, even as muted external demand from the rest of Asia hinders export growth.

(Source: Recent Economic Developments in Singapore, December 2015, Monetary Authority of Singapore)

5.2 Overview and prospects of the IT industry in Singapore

The weakness in the trade-related industries was particularly pronounced in the IT segment. The global IT industry has been trending down in recent quarters amid a worldwide slowing in personal computer demand. Within Asia, there has been a discernible step-down in intra-regional trade flows since the beginning of this year, particularly those associated with the IT supply chain. A number of the ASEAN-4 and NEA-3 economies witnessed shrinking electronics export volumes in the second quarter which, in some cases, persisted into early of third (3rd) quarter.

Being a key node in the regional IT supply chain, Singapore's manufacturing industry has also been affected. Domestic electronics output recorded a steep 5.0% q-o-q saar fall in the third (3rd) quarter of 2015, following a decrease of 1.7% in the preceding quarter. Notably, production of computer peripherals saw a sharp pullback in the third (3rd) quarter, contracting for the second consecutive quarter. The dismal outcome in IT output in turn generated negative spillovers into semiconductor related segments within the precision engineering cluster.

Notwithstanding the above, the technology and innovation cluster will play an instrumental role in fostering the Singapore economy's upgrade to a new production frontier. Over the last decade or so, Asia has made significant headway as a production base for high-tech products. This expansion is likely to persist, with Singapore contributing high-tech and high-value goods and services, supported by a vibrant technology and innovation cluster. Against this backdrop, capital inputs associated with the digital revolution, such as information and communications technology hardware, software, and research and development, will be the key drivers of economic activity in the future.

(Source: Macroeconomic Review October 2015, Monetary Authority of Singapore)

Despite a lacklustre performance since the start of this year, the global IT industry should recover gradually into 2016, spurred by the introduction of newer versions of smartphones as well as Microsoft's new operating systems platform, Windows 10. This could in turn benefit certain pockets of the domestic electronics cluster catering to mobile and PC end-demand. However, the extent to which the local IT industry is able to leverage on such cyclical upticks will be capped by some ongoing transitions away from volume manufacturing, toward providing high-value services within manufacturing such as chip design and delivery of IT services. Demand for information & communications services is also expected to be firm, with the government's "Smart Nation" initiative, which includes procurement of a wide range of IT services and infrastructure, providing the boost.

(Source: Recent Economic Developments in Singapore, December 2015, Monetary Authority of Singapore)

5.3 Prospects of NOVAMSC and CNAD

The management of NOVAMSC views the market for NOVAMSC to be challenging due to uncertainties arising from global and domestic economic outlook and that NOVAMSC operates in a competitive industry that has many players, which may depress its profit margins.

Despite the above, NOVAMSC is able to capitalise on the products and services it offers to establish a presence in the market. This is evidenced by NOVAMSC Group winning the tender from Building and Construction Authority in Singapore to upgrade, manage, operate, support and enhance the Integrated Submission Processing Systems from 10 March 2015 to 9 March 2018 for approximately SGD3.4 million (equivalent to approximately RM10.4 million based on the Current Exchange Rate).

In the immediate term, the management of NOVAMSC intends to expand its business presence into more overseas markets. NOVAMSC Group is also transforming its business model to a pay-per-use basis incorporating cloud technology. However, this new business model is expected to take some time to gain traction.

While the management is in the midst of carrying out the above strategies, the management of NOVAMSC perceives the Proposed Acquisition as a viable platform for NOVAMSC Group to expand NOVAMSC's business coverage to include building automation and control system, and would enable NOVAMSC Group to position itself to aggressively procure such projects from existing and potential customers of NOVAMSC. The enlarged NOVAMSC Group would become a one-stop solution provider for the implementation of smart hospital and smart building which would allow NOVAMSC Group to enhance its revenue stream.

In addition, upon completion of the Proposed Acquisition, NOVAMSC may be able to expand its network by tapping into the existing clientele of CNAD. CNAD has plans to expand its presence to other countries in the Asia Pacific region which includes, amongst others, Malaysia, Brunei, Laos and China.

In light of the above, the Board is optimistic that the prospects of NOVAMSC Group as well as CNAD, after the successful implementation of the Proposed Acquisition, would be favourable and the Proposed Acquisition will contribute positively to the financial performance of NOVAMSC Group moving forward.

(Source: Management of NOVAMSC Group)

6. RISK FACTORS

6.1 Competition risk

CNAD may face competition from existing competitors and new entrants into the market in the future, both locally and internationally, which offers similar products and services.

Further, as CNAD has only recently acquired the Singapore Business, it would be in a weaker footing as compared to some of its competitors which may have better pricing and/or greater resources than CNAD in terms of financial, technical and human resources, amongst others. Its competitors may be able to respond faster to new or emerging technologies and changes in customer preference or to devote greater resources to the development, promotion, sale and service of their products and services.

There can be no assurance that CNAD would be able to sustain its competitiveness against current and future competitors and derive the expected benefits to NOVAMSC.

6.2 Dependency of Chief Executive Officer and key management

CNAD is, to an extent, dependent on Michael Ong Liang Huat, the Chief Executive Officer, as well as key management of CNAD, which have been critical to the operations of CNAD. As such, any loss of the Chief Executive Officer or key management of CNAD without a suitable and timely replacement may have a material adverse impact on its business and its continuing ability to compete effectively.

NOVAMSC Group would, as part of its strategy, incentivise the employees of CNAD by offering attractive pay schemes and providing overall positive work environment.

6.3 Acquisition Risk

The Proposed Acquisition is expected to contribute positively to NOVAMSC Group based on the rationale stated in **Section 4.1** of this Announcement and the prospects stated in **Section 5.3** of this Announcement. However, there can be no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that NOVAMSC Group will be able to generate sufficient revenues from the Proposed Acquisition to offset the total cost of investment in CNAD. There is also no assurance that the quality of services and/or products offered by CNAD could be maintained and/or their financial performances could be sustained.

CNAD has negotiated or is currently negotiating with existing customers of CNA Group to novate or assign its existing contracts and/or license in CNA Group to CNAD. In the event that the customer of CNA Group decides not to novate or assign the contracts and/or licenses to CNAD, CNAD would not be able to realise the benefits from these contracts and/or licenses. In mitigating such risks, NOVAMSC would work together with the existing management of CNAD to assist in the novation or assignment process.

6.4 Rapid technology change

The markets for IT related products and services are characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments and software applications and frequent new product introductions and enhancements.

While CNAD may enhance its existing technologies and applications, timely development of new or enhanced products and services is a complex and uncertain process. Further, CNAD may experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of CNAD's products and services, as well as new products and services and enhancements.

6.5 Non-completion risk

There is a possibility that the Proposed Acquisition may not be completed due to failure in fulfilling the conditions precedent as set out in **Section 2.2.1.1** of this Announcement within the stipulated timeframe.

Nevertheless, the Board will take reasonable steps to ensure that such conditions precedent are met and fulfilled within the prescribed timeframe in order to complete the Proposed Acquisition in a timely manner.

6.6 Political, economic and regulatory risks

The financial and business prospects, operations and profitability of CNAD may be materially affected by changes in the political, economic and regulatory uncertainties in Singapore such as terrorism activities, riots, expropriation, nationalisation as well as changes in political leadership, interest rates, taxation rules and other relevant government policies.

Notwithstanding the above, NOVAMSC Group will adopt prudent management and efficient operating procedures whilst adhering to the rules and regulations in the jurisdictions in which it operates to mitigate the aforementioned risks. However, there can be no assurance that adverse economic, political and regulatory changes will not materially affect the profitability and financial condition of NOVAMSC Group.

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6.7 Project risks

The services offered by CNAD is on project basis, resulting in CNAD having to continuously and consistently secure new contracts to sustain its revenue and profits. It is generally very difficult to predict whether and when contracts will be awarded as they frequently involve lengthy and complex processes such as:

- (i) preliminary solution to meet the potential customers' needs and expectations;
- (ii) preparation of proposal and quotation documents such as detailed costing, programme delivery and schedule, and logistics of training and test centres;
- (iii) preparation of user requirements analysis and evaluation plan; and
- (iv) negotiation and finalizing of contracts.

There can be no assurance that CNAD will be able to secure new contracts in the future. As such, the future profitability and financial performance will depend on the ability of CNAD to secure new projects on a regular basis. Any failure in securing new projects may adversely affect the profitability and financial performance of the enlarged NOVAMSC Group.

Further, CNAD is exposed to cost overruns and project delays. Costs overruns may arise during the installation, testing and commissioning stages of execution works as a result of unanticipated modification works due to customer requests or unscheduled delays due to delay in readiness of site. In the event of unanticipated modification works done upon customer requests, CNAD would normally issue variation orders to recoup the additional costs incurred. In selected events, CNAD may also elect to bear the additional costs incurred in view of maintaining good relationships with the customers of CNAD.

Notwithstanding the above, most of the contracts contain liquidated and ascertained damages clause which holds CNAD accountable for failure to meet the completion date of the projects, leading to additional costs being incurred and thus affecting the profitability of CNAD. This may have an adverse impact on the financial performance of the enlarged NOVAMSC Group as CNAD may not be able to recoup any costs incurred as a result of a delay or cancellation of projects caused by CNAD. In addition, customers may delay or cancel their projects due to any unforeseen circumstances at any point of time during the duration of the project. In the event of a delay not caused by CNAD, CNAD will endeavour to enter into negotiations with the customers for the recovery of any costs incurred.

To mitigate the above risks, CNAD conducted a thorough understanding of the project requirements, work planning and technical requirements during the tender and quotation stage in order to ensure smooth implementation and avoid and/or minimize cost overruns. In addition, NOVAMSC believe that the management of CNAD has the experience and expertise and by working closely with the customers, ensure that all work specifications are met and any errors or defects within the projects and products are reduced to a minimum level.

Although CNAD will strive to maintain a track record of timely project completion, there can be no assurance that failures would not occur that would affect the financial performance and reputation of the enlarged NOVAMSC Group.

6.8 Failure to obtain banking facilities

As at the LPD, CNAD has obtained certain banking facilities for performance bonds and guarantees which is required for all its existing contracts and is currently in the process of obtaining the remaining banking facilities for performance bonds and guarantees as CNAD is in the midst of novating and assigning the contracts from CNA Group. It is the intention of CNAD to obtain the required banking facilities for performance bonds and guarantees required for the existing projects of CNAD. However, there is no guarantee that CNAD will be able to obtain the required banking facilities, or if obtained, the terms and conditions will be favourable to NOVAMSC Group. Any failure in securing the necessary banking facilities may adversely affect the ability of CNAD to secure the projects.

Further to the above, CNAD may have to obtain bank facilities to secure future contracts. In the event that CNAD is unable to obtain the required banking facilities or if obtained, the terms and conditions may not be favourable to NOVAMSC Group, it will affect the future financial performance of CNAD.

7. POLICIES ON FOREIGN INVESTMENT, REPATRIATION OF PROFITS AND TAXATION OF SINGAPORE

There is no restriction in Singapore on the acquisition of business of CNAD by foreign interests. As CNAD is not a listed entity, there is no requirement to obtain approval for the Proposed Acquisition from the Singapore Exchange Securities Trading Limited.

Singapore has no significant exchange controls. Funds, including profits and dividends may be repatriated freely from Singapore. Under the Singapore Companies Act, dividends may be paid out of profits available for distribution. There are no restrictions on payment of dividends to a foreign shareholder.

A Singapore corporate tax payer is subject to Singapore income tax on income accrued or derived in Singapore, and on foreign income received in Singapore. The corporate tax rate for years of assessment in 2015 is 17%.

There is no need to withhold tax on dividend payments. Singapore currently does not have withholding tax on dividends even though withholding tax rates on dividends are provided under some of tax treaties with Singapore.

Foreign dividends, branch profits and foreign service income received in Singapore by a Singapore resident company are exempt from Singapore tax if:

- (a) such income is subject to tax of similar character to income tax under the laws of the jurisdiction from which such income is received;
- (b) at the time the dividend is received in Singapore, the highest rate of tax of a similar character to income tax in the jurisdiction from which the income is received is at least 15%; and
- (c) the comptroller of income tax is satisfied that the tax exemption would be beneficial to the recipient of the foreign income.

8. FINANCIAL EFFECTS OF THE PROPOSALS

The proforma effects of the Proposals on the issued and paid-up share capital, net assets (“NA”) and gearing, earnings and EPS and substantial shareholders of NOVAMSC are as follows:

8.1 Issued and paid-up share capital

For illustrative purposes, the proforma effects of the Proposals on the issued and paid-up share capital are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up share capital as at the LPD	550,786,360	55,078,636	550,786,360	55,078,636
To be issued pursuant to the Proposed Acquisition	45,454,545	4,545,455	45,454,545	4,545,455
To be issued pursuant to the full exercise of the ESOS options	596,240,905	59,624,091	596,240,905	59,624,091
	-	-	178,872,272	17,887,227
To be issued pursuant to the Proposed Private Placement	596,240,905	59,624,091	775,113,177	77,511,318
	119,248,181	11,924,818	155,022,635	15,502,264
Enlarged issued and paid-up share capital	715,489,086	71,548,909	930,135,812	93,013,582

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8.2 NA and gearing

The Proposed Acquisition is not expected to have material effect on the consolidated NA per share and gearing of the Company as at 31 March 2016.

Based on the latest consolidated financial statement of NOVAMSC as at 31 March 2015, the proforma effects of the Proposals on the consolidated NA and gearing are as follows:

Minimum Scenario

	Audited as at 31 March 2015 RM	Adjustment for subsequent event RM	Proforma I	Proforma II
			After the Proposed Acquisition RM	After the Proposed Private Placement RM
Share capital	49,359,260	55,078,636 ⁽¹⁾	59,624,091	71,548,909
Share premium	11,658,531	12,283,268 ⁽¹⁾	12,037,813 ⁽²⁾	12,037,813
Foreign currency translation reserve	5,989,531	5,989,531	5,989,531	5,989,531
Equity compensation reserve	513,871	513,871	513,871	513,871
Accumulated losses	(29,674,232)	(29,674,232)	(29,674,232)	(29,674,232)
NA/ Shareholders' funds	37,846,961	44,191,074	48,491,074	60,415,892
Non-controlling interest	27,701	27,701	3,231,468	3,231,468
Total equity	37,874,662	44,218,775	51,722,542	63,647,360
No. of ordinary shares	493,592,600	550,786,360	596,240,905	715,489,086
NA per share	0.08	0.08	0.08	0.08
Total borrowings	1,999,118	1,999,118	1,999,118	1,999,118
Gearing (times)	0.05	0.05	0.04	0.03

Notes:

(1) The exercise of 7,395,000 ESOS options subsequent to the FYE 31 March 2015 and private placement of 49,798,760 shares, which was completed on 13 October 2015.

(2) After deducting the estimated expense of RM700,000 in relation to the Proposals.

Maximum Scenario

	Audited as at 31 March 2015 RM	Adjustment for subsequent event RM	Proforma I	Proforma II	Proforma III
			After the Proposed Acquisition RM	After the full exercise of the ESOS options RM	After the Proposed Private Placement RM
Share capital	49,359,260	55,078,636 ⁽¹⁾	59,624,091	77,511,318	93,013,582
Share premium	11,658,531	12,283,268 ⁽¹⁾	12,037,813 ⁽²⁾	12,037,813 ⁽³⁾	12,037,813
Foreign currency translation reserve	5,989,531	5,989,531	5,989,531	5,989,531	5,989,531
Equity compensation reserve	513,871	513,871	513,871	513,871	513,871
Accumulated losses	(29,674,232)	(29,674,232)	(29,674,232)	(29,674,232)	(29,674,232)
NA/ Shareholders' funds	37,846,961	44,191,074	48,491,074	66,378,301	81,880,565
Non-controlling interest	27,701	27,701	3,231,468	3,231,468	3,231,468
Total equity	37,874,662	44,218,775	51,722,542	69,609,770	85,112,034
No. of ordinary shares	493,592,600	550,786,360	596,240,905	775,113,177	930,135,812
NA per share	0.08	0.08	0.08	0.09	0.09
Total borrowings	1,999,118	1,999,118	1,999,118	1,999,118	1,999,118
Gearing (times)	0.05	0.05	0.04	0.03	0.02

Notes:

(1) The exercise of 7,395,000 ESOS options subsequent to the FYE 31 March 2015 and private placement of 49,798,760 shares, which was completed on 13 October 2015.

(2) After deducting the estimated expense of RM700,000 in relation to the Proposals.

(3) Assuming all the 178,872,272 ESOS options are granted and exercised at the exercise price of RM0.10 per NOVAMSC Share.

8.3 Earnings and EPS

For illustrative purposes only, based on the audited consolidated financial statements of NOVAMSC for the FYE 31 March 2015, the proforma effects of the Proposals on the earnings and EPS of NOVAMSC Group are as follows:

Minimum Scenario

	Audited as at 31 March 2015 RM	Proforma I	Proforma II
		After the Proposed Acquisition RM	After the Proposed Private Placement RM
Profit for the financial year attributable to the owners of NOVAMSC	1,164,564	3,031,164 ⁽¹⁾	3,031,164
Number of shares	493,592,600	596,240,905 ⁽²⁾	715,489,086
EPS (RM' sen)	0.24	0.51	0.42

Notes:

- (1) After incorporating 51% of the PAT of SGD1.20 million (equivalent to approximately RM3.66 million based on the Current Exchange Rate) being the FYE 2017 Performance Target, being the share of NOVAMSC in the profit of CNAD.
- (2) After incorporating the NOVAMSC Shares issued pursuant to the exercise of 7,395,000 ESOS options subsequent to the FYE 31 March 2015 and private placement of 49,798,760 shares, which was completed on 13 October 2015, as well as the NOVAMSC Shares to be issued pursuant to the Proposed Acquisition.

Maximum Scenario

	Audited as at 31 March 2015 RM	Proforma I	Proforma II	Proforma III
		After the Proposed Acquisition RM	After the full exercise of the ESOS options RM	After the Proposed Private Placement RM
Profit for the financial year attributable to the owners of NOVAMSC	1,164,564	3,031,164 ⁽¹⁾	3,031,164	3,031,164
Number of shares	493,592,600	596,240,905 ⁽²⁾	775,113,177	930,135,812
EPS (RM' sen)	0.24	0.51	0.39	0.33

Notes:

- (1) After incorporating 51% of the PAT of SGD1.20 million (equivalent to approximately RM3.66 million based on the Current Exchange Rate) being the FYE 2017 Performance Target, being the share of NOVAMSC in the profit of CNAD.
- (2) After incorporating the NOVAMSC Shares issued pursuant to the exercise of 7,395,000 ESOS options subsequent to the FYE 31 March 2015 and private placement of 49,798,760 NOVAMSC Shares, which was completed on 13 October 2015, as well as the NOVAMSC Shares to be issued pursuant to the Proposed Acquisition.

The Proposed Acquisition is not expected to have a material effect on the earnings and EPS of the Group for the FYE 31 March 2016 as it is expected to be completed by the second (2nd) quarter of the calendar year 2016. However, barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the earnings of NOVAMSC Group for the FYE 31 March 2017 and future financial years.

However, the Proposals would dilute the EPS of NOVAMSC due to the increase in number of NOVAMSC Shares as a result of the issuance of the Consideration Shares and the Placement Shares.

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8.4 Substantial shareholders' shareholdings

The proforma effects of the Proposals on the shareholdings of NOVAMSC's substantial shareholders as at the LPD are set out below:

Minimum Scenario

Shareholders	As at the LPD				Proforma I After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Maybank Securities Nominees (Asing) Sdn Bhd <i>Maybank Kim Eng Securities Pte Ltd</i> <i>For Zylog Systems Asia Pacific Pte Ltd</i>	42,849,750	7.78	-	-	42,849,750	7.19	-	-
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	5,160,000	0.94	45,178,150 ⁽¹⁾	8.20	5,160,000	0.87	45,178,150 ⁽¹⁾	7.58
Raden Corporation Sdn Bhd	39,178,150	7.11	-	-	39,178,150	6.57	-	-
Stone Villa	-	-	-	-	45,454,545	7.62	-	-
Loh Guan Huat Sunny	-	-	-	-	-	-	45,454,545 ⁽²⁾	7.62

Shareholders	Proforma II After Proforma I and the Proposed Private Placement			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Maybank Securities Nominees (Asing) Sdn Bhd <i>Maybank Kim Eng Securities Pte Ltd</i> <i>For Zylog Systems Asia Pacific Pte Ltd</i>	42,849,750	5.99	-	-
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	5,160,000	0.72	45,178,150 ⁽¹⁾	6.31
Raden Corporation Sdn Bhd	39,178,150	5.48	-	-
Stone Villa	45,454,545	6.35	-	-
Loh Guan Huat Sunny	-	-	45,454,545 ⁽²⁾	6.35

Notes:

- (1) Deemed interest by virtue of his directorship and substantial shareholding in Raden Corporation Sdn Bhd, by virtue of his directorship and substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which owns the entire issued and paid up capital of Pesaka Antah Holding Sdn Bhd and by virtue of the shares held by his brother Y.A.M Tunku Naqiyuddin Ibni Almarhum Tuanku Ja'afar pursuant to Section 6A of the Companies Act, 1965 ("Act").
- (2) Deemed interested by virtue of his interest in Stone Villa pursuant to Section 6A of the Act.

Maximum Scenario

Shareholders	As at the LPD				Proforma I After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd For Zylog Systems Asia Pacific Pte Ltd	42,849,750	7.78	-	-	42,849,750	7.19	-	-
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	5,160,000	0.94	45,178,150 ⁽¹⁾	8.20	5,160,000	0.87	45,178,150 ⁽¹⁾	7.58
Raden Corporation Sdn Bhd	39,178,150	7.11	-	-	39,178,150	6.57	-	-
Stone Villa	-	-	-	-	45,454,545	7.62	-	-
Loh Guan Huat Sunny	-	-	-	-	-	-	45,454,545 ⁽²⁾	7.62

Shareholders	Proforma II After Proforma I and the full exercise of the ESOS options				Proforma III After Proforma II the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Maybank Securities Nominees (Asing) Sdn Bhd <i>Maybank Kim Eng Securities Pte Ltd For Zylog Systems Asia Pacific Pte Ltd</i>	42,849,750	5.53	-	-	42,849,750	4.61	-	-
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	5,160,000 ⁽³⁾	0.67	45,178,150 ⁽¹⁾	5.83	5,160,000	0.55	45,178,150 ⁽¹⁾	4.86
Raden Corporation Sdn Bhd	39,178,150	5.05	-	-	39,178,150	4.21	-	-
Stone Villa	45,454,545	5.86	-	-	45,454,545	4.89	-	-
Loh Guan Huat Sunny	-	-	45,454,545 ⁽²⁾	5.86	-	-	45,454,545 ⁽²⁾	4.89

Notes:

- (1) Deemed interest by virtue of his directorship and substantial shareholding in Raden Corporation Sdn Bhd, by virtue of his directorship and substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which owns the entire issued and paid up capital of Pesaka Antah Holding Sdn Bhd and by virtue of the shares held by his brother Y.A.M Tunku Naquiyuddin Ibni Almarhum Tuanku Ja'afar pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of his interest in Stone Villa pursuant to Section 6A of the Act.
- (3) Assuming 69,953,394 of the ESOS options was granted and fully exercised by Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar.

8.5 Existing Convertible securities

Save for the ESOS options, NOVAMSC does not have any convertible securities as at the LPD. There will not be any adjustments to exercise price and/or number of outstanding ESOS options as a result of the Proposals.

9. APPROVALS REQUIRED

The Proposals are subject to and conditional upon the following approvals being obtained:

- (a) the shareholders of NOVAMSC at the extraordinary general meeting to be convened for the Proposals;
- (b) the approval of Bursa Securities for the listing of and quotation for the Consideration Shares and Placement Shares on the ACE Market of Bursa Securities;
- (c) approvals of any relevant authorities and/or parties, if required.

The Proposals are inter-conditional upon each other. However, the Proposals are not conditional upon any other corporate proposals of the Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the Directors and/or major shareholders of the Company and/or any persons connected with them have any interest, whether direct or indirect, in the Proposals.

11. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposals, including the basis and justification of arriving at the Purchase Consideration, rationale, prospects, risk factors and financial effects, is of the opinion that the Proposals are in the best interest of NOVAMSC and the terms and conditions in the SSA are fair and reasonable.

12. HIGHEST PERCENTAGE RATIO

The highest percentage ratio pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Securities is 42.56% and is calculated based on the following:

- (a) the Purchase Consideration of RM10.00 million over the net asset of NOVAMSC Group based on its latest audited consolidated financial statements for FYE 31 March 2015 amounting to RM37.85 million of 26.40%; and
- (b) after aggregating with the highest percentage ratio of the earlier subscription of 20% equity interest in CNAD by NOVAMSC announced on 6 November 2015 of 16.16%.

13. ADVISER

RHBIB has been appointed by the Company to act as the Principal Adviser for the Proposals.

Pursuant to the Listing Requirements, where the percentage ratio of foreign acquisition is 25.00% or more, an expert's report is required for the following:

- (a) policies on the foreign investments, taxation and repatriation of profits of the host country;
- (b) a legal opinion from a reputable law firm on:
 - (i) the ownership of title to the securities or assets in the foreign jurisdiction;
 - (ii) the enforceability of agreements, representations and undertakings given by foreign counter parties under relevant laws of domicile; and
 - (iii) other relevant legal matters; and
- (c) the fairness of the total purchase consideration for the foreign securities or assets proposed to be acquired.

Infinitus Law Corporation has been appointed by the Company to evaluate on item (a) and (b) above.

BDO has been appointed by the Company to evaluate on item (c) above.

14. ESTIMATED TIMEFRAME FOR SUBMISSION TO AUTHORITIES AND COMPLETION

Barring any unforeseen circumstances, the applications to the relevant authorities for the Proposals will be made within one (1) month from the date of this Announcement.

Barring any unforeseen circumstances, the Board expects the Proposals to be completed by the second (2nd) quarter of calendar year 2016.

15. DOCUMENTS FOR INSPECTION

The SSA and expert's report on the fairness of the Purchase Consideration for the Proposed Acquisition by BDO is available for inspection during normal office hours at the registered office of NOVAMSC located at No. 1 & 1A, 2nd Floor (Room 2), Jalan Ipoh Kecil, 50350 Kuala Lumpur from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement.

This announcement is dated 18 January 2016.

INFORMATION ON CNAD

1. HISTORY AND BUSINESS

CNAD was incorporated in Singapore under the Companies Act (Chapter 50) on 24 February 2000. CNAD was an investment holding company which received rental income for the property located at 28, Kaki Bukit Crescent, Kaki Bukit Techpark 1, Singapore 416259 ("**Property**"). In the FYE 31 December 2014, CNAD disposed the Property to a third party and subsequently entered into a 2-year lease with the third party on the Property.

As at the LPD, CNAD is principally involved in the provision, design and implementation of integrated control and automation systems and IT solutions for buildings and facilities in Singapore. CNAD mainly source their raw materials from distributors who are based in Singapore.

2. SHARE CAPITAL

As at the LPD, the issued share capital of CNAD is SGD2,050,000 (equivalent to approximately RM6.25 million based on the Current Exchange Rate) comprising 62,500 CNAD Shares.

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of CNAD and their direct shareholdings in CNAD based on the Register of Members of CNAD as at the LPD are as follows:

Substantial shareholders	Nationality	Direct	
		CNAD Shares	%
Michael Ong Liang Huat	Singapore	18,750	30.00
Stone Villa	British Virgin Islands	31,250	50.00
NOVAMSC	Malaysia	12,500	20.00

4. DIRECTORS

The directors of CNAD and their direct shareholdings in CNAD based on the Register of Directors of CNAD as at LPD are as follows:

Directors	Nationality	Direct	
		CNAD Shares	%
Michael Ong Liang Huat	Singapore	18,750	30.00
Loh Guan Huat Sunny	Singapore	-	-
Shen Meei Juan	Singapore	-	-
Tan Yew Soon	Singapore	-	-
Tan Chee Ping	Singapore	-	-

5. SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, CNAD does not have any subsidiary or associated companies.

INFORMATION ON CNAD (CONT'D)

6. FINANCIAL SUMMARY

The summary of key financial information of CNAD for the past three (3) financial years up to the FYE 31 December 2014 and the unaudited eleven (11)-month financial period ended ("FPE") 30 November 2015 are set out below:

	Audited			Unaudited
	FYE 31 December 2012	FYE 31 December 2013	FYE 31 December 2014	FPE 30 November 2015
	SGD'000	SGD'000	SGD'000	SGD'000
Revenue	324	324	324	2,101
Other income	-	-	4,594	-
Profit before tax ("PBT") / Loss before taxation ("LBT")	143	156	(1,245)	101
PAT / Loss after taxation ("LAT")	142	149	(1,254)	101
Share capital ('000 CNAD Shares)	50	50	50	63
Shareholders' funds/NA	1,168	1,317	63	2,165
Total borrowings	-	-	-	-
NA per share (SGD)	23.36	26.34	1.26	34.64
Gross EPS (SGD)	2.86	3.12	(24.90)	1.62
Net EPS (SGD)	2.84	2.98	(25.08)	1.62
Current ratio (times)	0.50	0.66	1.03	1.75
Gearing (times)	-	-	-	-

For the past three (3) financial years under review:

- (a) there were no exceptional or extraordinary items;
- (b) there were no accounting policies adopted by CNAD which are peculiar to CNAD because of the nature of its business or the industry in which it is involved in; and
- (c) there were no audit qualifications of the financial statements of CNAD.

Commentary of past financial performance**FYE 31 December 2013**

During the FYE 31 December 2013, CNAD derived rental income for the Property which is rented to CNA Group, its then holding company ("**Former Holding Company**") for an amount of SGD324,000 per annum. The financial performance of CNAD remains similar to that of previous financial year.

INFORMATION ON CNAD (CONT'D)

FYE 31 December 2014

During the FYE 31 December 2014, the Property was sold to a third party resulting in a gain disposal of approximately SGD4.59 million. The gain on disposal was offset by impairment loss on amount due from Former Holding Company amounting to SGD5.99 million which resulted in the loss before taxation of SGD1.25 million.

For the FYE 31 December 2014, CNAD continued to lease from the buyer of Property and sub-leased the CNAD Property to the Former Holding Company and registered a revenue of approximately SGD324,000.

11-month FPE 30 November 2015

For the 11-month FPE 30 November 2015, CNAD continued the arrangement with the Former Holding Company resulting in a revenue of approximately SGD300,000. It should be noted that subsequent to the Divestment which was completed on 18 November 2015, CNAD has begun its business in the provision, design and implementation of integrated control and automation systems and IT solutions for buildings and facilities in Singapore resulting in revenue of approximately SGD1.80 million. The increase in revenue has contributed to the PAT of approximately SGD0.10 million for the 11-month FPE 30 November 2015.

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INFORMATION ON STONE VILLA

Stone Villa

Stone Villa was incorporated in British Virgin Islands on 1 July 2010 under BVI Business Companies Act, 2004. Stone Villa is an investment holding company and provides corporate consultancy services.

As at the LPD, Stone Villa has an issued and paid up share capital of one (1) share of United States Dollar 1.00 each ("**Stone Villa Shares**").

The substantial shareholders and directors of Stone Villa and their respective shareholdings in Stone Villa as at the LPD are as follows:

Details	Nationality	No. of Stone Villa Shares	%
<u>Substantial shareholders</u>			
Loh Guan Huat Sunny	Singapore	1	100.00
<u>Directors</u>			
Loh Guan Huat Sunny	Singapore	1	100.00